

CARSONVILLE-PORT SANILAC SCHOOLS

Carsonville, Michigan

Report on Financial Statements

(with additional information)

June 30, 2005

CARSONVILLE-PORT SANILAC SCHOOLS
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October 20, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carsonville-Port Sanilac Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, on our consideration of Carsonville-Port Sanilac Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages *i* through *ix* and page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion it.

Board of Education
Carsonville-Port Sanilac Schools
October 20, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carsonville-Port Sanilac Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Carsonville-Port Sanilac School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide, in layman's term, a look at the district's performance and past and current position.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. This is our second year of implementation so certain comparative information between the current year and the prior year is required to be presented in the MD&A. Our district has met those requirements to our knowledge.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long – Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30, 2005 and June 30, 2004:

Assets	2005	2004
Current assets	\$ 1,724,991	\$ 181,811
Deferred amount on bond refunding	405,000	
Less accumulated amortization	(5,063)	
Capital assets	13,328,897	13,304,228
Less accumulated depreciation	<u>(5,047,827)</u>	<u>(4,599,104)</u>
Total assets	<u>\$ 10,405,998</u>	<u>\$ 10,523,935</u>
Liabilities		
Current liabilities	\$ 995,580	\$ 929,425
Long-term liabilities	<u>8,230,292</u>	<u>8,216,094</u>
Total liabilities	9,225,872	9,145,519
Net Assets		
Invested in capital assets, net of related debt	95,051	133,554
Restricted for debt service	490,707	404,368
Unrestricted	<u>594,368</u>	<u>840,494</u>
Total net assets	<u>1,180,126</u>	<u>1,378,416</u>
Total liabilities and net assets	<u>\$ 10,405,998</u>	<u>\$ 10,523,935</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$ 198,290. A few of the more significant factors affecting net assets during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2005, \$ 448,723 was recorded for depreciation expense.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2005, \$ 24,669 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$424,054 for the fiscal year ended June 30, 2005.

Carsonville-Port Sanilac School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005

Results of Operations

For the fiscal years ended June 30, 2005 and June 30, 2004, the results of operations, on a District-wide basis, were:

	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>
General Revenues				
Property taxes	\$1,481,020	25.92%	\$1,416,855	24.41%
Investment earnings	10,031	0.18%	8,900	0.15%
State sources	3,571,440	62.52%	3,632,406	62.58%
Transfers from other districts		0.00%		0.00%
Sale of school property		0.00%	151,600	2.61%
Other	<u>119,524</u>	<u>2.09%</u>	<u>130,095</u>	<u>2.24%</u>
Total general revenues	<u>5,182,015</u>	<u>90.71%</u>	<u>5,339,856</u>	<u>91.99%</u>
Program Revenues				
Charges for services	142,476	2.49%	139,367	2.40%
Operating grants	<u>388,434</u>	<u>6.80%</u>	<u>325,315</u>	<u>5.60%</u>
Total program revenues	<u>530,910</u>	<u>9.29%</u>	<u>464,682</u>	<u>8.01%</u>
Total revenues	<u>5,712,925</u>	<u>100.00%</u>	<u>5,804,538</u>	<u>100.00%</u>
Expenses				
Instruction	3,082,769	52.15%	2,891,765	49.11%
Support services	1,568,036	26.53%	1,751,153	29.74%
Transfer to other districts	2,824	0.05%	6,283	0.11%
Food services	198,073	3.35%	181,155	3.08%
Athletics	179,038	3.03%	173,236	2.94%
Interest on long-term debt	425,719	7.20%	441,032	7.49%
Other	970	0.02%	-	0.00%
Amortization	5,063	0.09%	-	0.00%
Unallocated depreciation expense	<u>448,723</u>	<u>7.59%</u>	<u>443,619</u>	<u>7.53%</u>
Total expenses	<u>5,911,215</u>	<u>100.00%</u>	<u>5,888,243</u>	<u>100.00%</u>
Increase (decrease) in net assets	<u>\$ (198,290)</u>	<u>-</u>	<u>\$ (83,705)</u>	<u>-</u>

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 17.7326 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2004-2005 fiscal year, the district levied \$ 765,384 non-homestead property taxes. This represented an increase of 3.40% from the prior year. The amount of unpaid property taxes at June 30, 2005, less an estimate for those deemed to be un-collectible, was \$ 4,775.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2004 - 2005	\$ 742,031	4.01%
2003 - 2004	\$ 713,446	6.70%
2002 - 2003	\$ 668,581	1.60%
2001 - 2002	\$ 658,606	9.20%
2000 - 2001	\$ 603,342	6.70%
1999 - 2000	\$ 565,480	4.70%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2004 - 2005 fiscal year, the District's foundation allowance was \$ 6,700 per student FTE.

3. Student Enrollment

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past five fiscal years:

	Actual Blended Student FTE	Budgeted Blended Student FTE	Variance Favorable (Unfavorable)
2004 - 2005	632	632	0
2003 - 2004	623	623	0
2002 - 2003	630.5	615	15.5
2001 - 2002	644	646	(2)
2000 - 2001	665.96	646.2	19.76
1999 - 2000	658.99	661	(2.01)

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2005, federal, state and other grants accounted for \$ 388,434. This represents an increase of \$63,119 over the total grant sources received for the 2003 – 2004 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2005, the District received an allocation from Sanilac and Tuscola Intermediate School Districts in the amount of \$ 3,123 to assist with the education of students with special needs.

6. Interest Earnings

The District received interest on its investments in the amount of \$10,031 for the fiscal year ended June 30, 2005.

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

Expenditures	2004 – 2005 Fiscal Year	2003 – 2004 Fiscal Year	Increase (Decrease)
Instruction	\$ 3,088,580	2,786,757	301,823
Supporting services	1,570,526	1,706,149	(135,623)
Food service activities	198,073	181,155	16,918
Athletic activities	179,038	173,236	5,802
Capital outlay		27,267	(27,267)
Debt service	764,145	763,073	1,072
Total expenditures	<u>\$ 5,800,362</u>	<u>\$5,637,637</u>	<u>\$162,725</u>

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

For the 2004 – 2005 fiscal year, the district amended the general fund budget two times with the Board adopting the fiscal changes in June 2005. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget- positive (negative)	% Variance
Total revenues	<u>\$ 4,485,349</u>	<u>\$ 4,719,512</u>	<u>\$ 4,704,496</u>	<u>\$ (15,016)</u>	(0.32%)
Expenditures:					
Instruction	2,869,410	3,067,007	3,088,580	(21,573)	(0.70)%
Supporting services	<u>1,025,875</u>	<u>1,541,420</u>	<u>1,570,526</u>	<u>(29,106)</u>	(1.89)%
Total expenditures	<u>4,388,583</u>	<u>4,608,427</u>	<u>4,659,106</u>	<u>(50,679)</u>	(1.10)%
Excess of revenues over expenditures	618,458	111,085	45,390	(65,695)	(59.14)%
Other Financing Sources	(339,935)	(339,900)	(269,737)	70,163	20.64%
Excess of revenues over expenditures & other sources	<u>\$(243,169)</u>	<u>\$(228,815)</u>	<u>(224,347)</u>	<u>\$4,468</u>	1.95%
Fund balance – beginning of year			920,842		
Fund balance – end of year			<u>\$696,495</u>		

Capital Asset and Debt Administration

Capital Assets

By the end of the 2004 – 2005 fiscal year, the district had invested \$ 13,328,897 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$ 24,669 over the prior fiscal year. Depreciated expense for the year amounted to \$ 448,723, bringing the accumulation to \$ 5,047,827 as of June 30, 2005.

Long- term Debt

At June 30, 2005, the District had \$8,585,956, in bonded debt outstanding. This represents a increase of \$14,386, over the amount outstanding at the closed of the prior fiscal year.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2005 – 2006 fiscal year. The early indication is that the foundation allowance will increase slightly, which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance.
- The contract with the Carsonville-Port Sanilac Schools Education Association, the union that represents the teaching staff, expires August 31, 2006. Contract negotiations with the teachers and other support groups on a new contract are commencing.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Next Years Proposed Budget 05/06

For this Proposed Budget hearing we wish to comply with Section 16 of the Uniform Budgeting and Accounting Act and state that our proposed property tax millage rate to be levied this fall is 18 mills. This will generate \$ 810,367 in local property taxes. This is based on the Non-Homestead Taxable Value of 45,020,390.

Revenue:

The local revenue was adjusted to reflect student enrollment figures from the February 2005 and projected fall 2005 count.

Expenses:

The wages have been increased 2% per contract agreements.

The retirement has increased 1.47%, going from 14.87% to 16.34%.

The healthcare benefits have increased 12%. The district has 12% caps on employee insurance premiums. The district is researching other insurance plans with a Health Savings Account to help the employee and district with the rising costs of insurance.

The district continues to operate with a half-time Superintendent. This saves the district approximately \$121,000 per year.

The district had three teachers retire and have replaced them with beginning teachers that earn less per contract.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

We have increased operation and maintenance budgets for increased electric and gas costs.

The district leases its busses, which allows us to have a newer bus fleet and saves on maintenance costs.

Contracting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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BASIC FINANCIAL STATEMENTS

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2005

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash and equivalents		\$ 812,406
Accounts receivable		66,110
Prepaid expenses		599
Property taxes receivable		4,775
Due from other governmental units		840,172
Due from Agency funds		929
TOTAL CURRENT ASSETS		1,724,991
NONCURRENT ASSETS:		
Deferred amount on bond refunding		405,000
Less accumulated amortization		(5,063)
Capital assets		13,328,897
Less accumulated depreciation		(5,047,827)
TOTAL NONCURRENT ASSETS		8,681,007
TOTAL ASSETS		\$ 10,405,998
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 571
Accrued salaries & wages		296,899
Accrued payroll taxes		22,713
Benefits payable		41,461
Retirement payable		90,153
Deferred revenue		33,000
Other liabilities		-
Accrued interest		60,019
Current portion of long term debt		408,551
Current portion of compensated absences		42,213
TOTAL CURRENT LIABILITIES		995,580
NONCURRENT LIABILITIES:		
Noncurrent portion of long term debt		8,177,405
Compensated absences		52,887
TOTAL NONCURRENT LIABILITIES		8,230,292
NET ASSETS:		
Invested in capital assets, net of related debt		95,051
Restricted for debt service		490,707
Unrestricted		594,368
TOTAL NET ASSETS		1,180,126
TOTAL LIABILITIES AND NET ASSETS		\$ 10,405,998

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,082,769		\$ 192,654	\$ (2,890,115)
Support services	1,568,036		82,566	(1,485,470)
Transfers to other districts	2,824			(2,824)
Food services	198,073	\$ 77,684	113,214	(7,175)
Athletics	179,038	64,792		(114,246)
Interest on long-term debt	425,719			(425,719)
Other	970			(970)
Amortization	5,063			(5,063)
Unallocated depreciation	448,723			(448,723)
Total governmental activities	<u>\$ 5,911,215</u>	<u>\$ 142,476</u>	<u>\$ 388,434</u>	(5,380,305)
General revenues:				
Property taxes, levied for general purposes				742,031
Property taxes, levied for debt service				738,989
State of Michigan school aid unrestricted				3,571,440
Investment revenue				10,031
Miscellaneous				119,524
Total general revenue				<u>5,182,015</u>
Change in net assets				(198,290)
Net assets, beginning of year				<u>1,378,416</u>
Net assets, end of year				<u>\$ 1,180,126</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2005

	GENERAL FUND	DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and equivalents	\$ 300,453	\$ 490,495	\$ 21,458	\$ 812,406
Accounts receivable	38,652		27,458	66,110
Prepaid expenses	599			599
Due from other governmental units	838,410		1,762	840,172
Due from other funds	2,461	212		2,673
Due from Agency funds	929			929
TOTAL ASSETS	\$ 1,181,504	\$ 490,707	\$ 50,678	\$ 1,722,889
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 571			\$ 571
Accrued salaries & wages	296,899			296,899
Due to other funds	212	-	\$ 2,461	2,673
Accrued payroll taxes	22,713			22,713
Benefits payable	41,461			41,461
Retirement payable	90,153			90,153
Deferred revenue	33,000			33,000
Other liabilities	-			-
TOTAL LIABILITIES	485,009	-	2,461	487,470
FUND BALANCE:				
Reserved for debt service		\$ 490,707		490,707
Unreserved:				-
Designated for maintenance fund	33,886			33,886
Designated for compensated absences	95,100			95,100
Undesignated	567,509		48,217	615,726
TOTAL FUND BALANCE	696,495	490,707	48,217	1,235,419
TOTAL LIABILITIES & FUND BALANCE	\$ 1,181,504	\$ 490,707	\$ 50,678	\$ 1,722,889

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2005

Total Fund Balances - Governmental Funds \$ 1,235,419

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of the capital assets is:	13,328,897
Accumulated depreciation is:	(5,047,827)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable:	(8,585,956)
Deferred amount on bond refunding	405,000
Amortization	(5,063)
Compensated absences:	(95,100)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid:	(60,019)

Balance of taxes receivable at 06/30/05 less allowance for doubtful
accounts, expected to be collected after September 1, 2005

4,775

Net Assets of Governmental Activities \$ 1,180,126

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	GENERAL FUND	DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	\$ 868,276	\$ 745,128	\$ 142,702	\$ 1,756,106
State sources	3,561,000	-	10,440	3,571,440
Federal sources	275,220		113,214	388,434
TOTAL REVENUES	4,704,496	745,128	266,356	5,715,980
EXPENDITURES:				
Instruction	3,088,580			3,088,580
Supporting services	1,570,526			1,570,526
Food services			198,073	198,073
Athletic services			179,038	179,038
Debt service:				
Principal redemption		340,000		340,000
Interest		423,175		423,175
Other		970		970
TOTAL EXPENDITURES	4,659,106	764,145	377,111	5,800,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	45,390	(19,017)	(110,755)	(84,382)
OTHER FINANCING SOURCES (USES):				
Proceeds from bond refunding		6,400,000		6,400,000
Premium received on bond sale		28,187		28,187
Payment to bond escrow agent		(5,995,000)		(5,995,000)
Bond issuance cost		(92,659)		(92,659)
Bond interest		(340,528)		(340,528)
Transfers from other funds	-	107,557	117,037	224,594
Transfers to other funds	(222,393)	(2,201)	-	(224,594)
Other transfers	(2,824)		-	(2,824)
Payments on loans	(44,520)		-	(44,520)
TOTAL OTHER FINANCING SOURCES (USES)	(269,737)	105,356	117,037	(47,344)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(224,347)	86,339	6,282	(131,726)
FUND BALANCE - BEGINNING OF YEAR	920,842	404,368	41,935	1,367,145
FUND BALANCE - END OF YEAR	<u>\$ 696,495</u>	<u>\$ 490,707</u>	<u>\$ 48,217</u>	<u>\$ 1,235,419</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2005

Total net change in fund balances - governmental funds \$ (131,726)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(448,723)
Amortization expense	(5,063)
Capital outlay	24,669

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	57,475
Accrued interest payable at the end of the year	(60,019)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Principal repayments	390,614
----------------------	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortization in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows.

Proceeds from sale of bonds	(6,400,000)
payment to bond escrow agent	5,995,000
Deferred interest payment	340,528
Deferred amount on bond refunding	64,472

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(7,830)
Accrued revenue at the end of the year	4,775

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	72,638
Accrued absences at the end of the year	(95,100)

Change in net assets of governmental activities \$ (198,290)

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 27,214
TOTAL ASSETS	<u>\$ 27,214</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Due to student organizations	\$ 26,285
Due to other funds	929
FUND BALANCE:	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 27,214</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1910 and presently covers approximately 78.9 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 630 students.

The basic financial statements of the Carsonville-Port Sanilac Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Carsonville-Port Sanilac Schools (the "District") is governed by the Carsonville-Port Sanilac Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2004 - August, 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.7326
Debt Service Funds	5.9230

4. Inventories and Prepaid Items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue fund consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

6. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000. Group purchases are evaluated on a case-by-case basis.

7. Deferred Revenues.

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

8. Compensated Absences.

Each teacher shall be credited with sixteen sick leave days at the beginning of the school year that can be accumulated to one hundred forty days. All unused sick leave days in excess of one hundred forty days shall be paid to the teacher at the end of the school year on the basis of \$25.00 per day, only after 10 years of service. Other employee groups have contracts with negotiated sick leave benefits at varying levels.

9. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

10. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources. For the year ended June 30, 2005, the district has designated \$33,886 for the maintenance of existing property and equipment.

12. Use of Estimates.

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Interfund Transactions.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year-end the carrying amount of the District's deposits were \$786,917 and the bank balance was \$996,098 of which \$200,000 was covered by federal depository insurance and \$796,098 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 812,406
Fiduciary Funds	<u>27,214</u>
	<u><u>\$ 839,620</u></u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 12.99%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$378,900, \$343,331 and \$353,387 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (CONTINUED):

OTHER POST-EMPLOYMENT BENEFITS:

Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$3,390	\$ 212
Special Revenue		2,461
Trust & Agency Fund		929
Debt Retirement Fund	<u>212</u>	<u> </u>
Total	<u><u>\$3,602</u></u>	<u><u>\$3,602</u></u>

NOTE 7 - OPERATING LEASES:

The School District leases buses and office equipment under operating lease agreements that expire at various dates, respectively. Lease expense amounted to \$58,029. At June 30, 2005, future lease payments under such leases are as follows:

June 30, 2006	\$60,231
June 30, 2007	\$ 2,202
June 30, 2008	\$ 2,202
June 30, 2009	\$ 1,101

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8 - LONG-TERM DEBT:

The District issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

Copier capital lease, due with monthly installments of \$583 with interest at 3.32%	24,124
2000 general obligation building & site bonds due in annual installments ranging from \$220,000 to \$225,000 with interest at 4.5%	1,235,000
2005 general obligation building & site bonds as a result of refunding 2011 – 2026 bonds issued in 2000. The bonds are due in annual installments ranging from \$30,000 to \$480,000 with interest at 4.375%.	6,400,000
1990 general obligation building & site bonds due in annual installments ranging from \$120,000 to \$150,000 with interest at 7.283%	275,000
1998 energy improvement bonds due in annual installments ranging from \$10,000-\$15,000 with interest at 4.191%	35,000
1998 limited obligation bonds (Durant bonds) (face amount \$46,583) due in annual installments ranging from \$2,255-\$11,663 with interest at 4.76%	29,760
2001 Qualified Zone Academy Bonds (face amount \$485,000). The bonds are interest free and are repayable 5/1/2014. The district is required to set aside \$37,308 beginning on 5/1/01 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds	485,000
2001 Qualified Zone Academy Bonds (face amount \$102,072) used for the purchase of 2 buses. The bonds are interest free and are repayable in two installments of \$51,036 due on 10/17/06 and 10/17/07. The district is required to set aside \$17,018 beginning on 10/17/02 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds. \$68,048 was put into the account on 7/23/04 when the buses were sold	<u>102,072</u>
Total bonded debt	8,585,956
Accumulated compensated absences	<u>95,100</u>
Total long-term debt	<u>\$8,681,056</u>

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 408,551	\$ 675,677	\$ 1,084,228
2007	484,902	654,844	1,139,746
2008	363,645	633,354	996,999
2009	297,195	614,532	911,727
2010	302,716	599,738	902,454
2011-2015	2,128,947	1,208,682	3,337,629
2016-2020	1,915,000	852,996	2,767,996
2021and after	<u>2,685,000</u>	<u>433,430</u>	<u>3,118,430</u>
Total	\$8,585,956	\$5,673,253	\$14,259,209
Compensated Absences	<u>95,100</u>		<u>95,100</u>
TOTAL	<u>\$8,681,056</u>	<u>\$5,673,253</u>	<u>\$14,354,309</u>

An amount of \$490,707 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

The following is a summary of the long-term debt transaction of the district for the year ended June 30, 2005:

	<u>ACCUMULATED</u> <u>SICK &</u> <u>VACATION PAY</u>	<u>GENERAL</u> <u>OBLIGATION</u>
Long-term debt – July 1, 2004	\$ 72,638	\$8,571,570
Net increase in accumulated compensated absences	22,462	
Proceeds from 2005 Bond Refunding		6,400,000
Repayments:		
1999 bus loan		(34,520)
2000 debt		(6,215,000)
1990 debt		(120,000)
1998 debt		(10,000)
Copier capital lease		<u>(6,094)</u>
Long-term debt – June 30, 2005	<u>\$ 95,100</u>	<u>\$8,585,956</u>

Interest expense (all funds) for the year ended June 30, 2005 was \$425,719.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 9 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 1, 2005</u>
Assets not being depreciated – land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	2,441,725			2,441,725
Building and additions	9,407,076			9,407,076
Machinery and equipment	<u>1,405,427</u>	<u>\$ 24,669</u>		<u>1,430,096</u>
Subtotal	13,254,228	24,669		13,278,897
Accumulated depreciation:				
Land improvements	(995,970))	(122,086)		(1,118,056)
Building and additions	(2,880,729))	(188,458)		(3,069,187)
Machinery and equipment	<u>(722,405))</u>	<u>(138,179)</u>		<u>(860,584)</u>
Subtotal	(4,599,104)	(448,723)		(5,047,827)
Net other capital assets	<u>8,655,124</u>	<u>(424,054)</u>		<u>8,231,070</u>
Net capital assets	<u>\$ 8,705,124</u>	<u>\$ (424,054)</u>		<u>\$ 8,281,070</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$448,723. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 10- TRANSFERS:

Transfers between funds for the year ended June 30, 2005 were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$222,393	
Athletic Fund		\$117,037
Debt Retirement Fund	<u>2,201</u>	<u>107,557</u>
Total Transfers	<u>\$224,594</u>	<u>\$224,594</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Local sources	\$ 747,708	\$ 845,751	\$ 868,276	\$ 22,525
State sources	3,456,993	3,598,984	3,561,000	(37,984)
Federal sources	280,648	274,777	275,220	443
TOTAL REVENUES	4,485,349	4,719,512	4,704,496	(15,016)
EXPENDITURES:				
Instruction	2,869,410	3,067,007	3,088,580	(21,573)
Supporting services	1,519,173	1,541,420	1,570,526	(29,106)
TOTAL EXPENDITURES	4,388,583	4,608,427	4,659,106	(50,679)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	96,766	111,085	45,390	(65,695)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(254,852)	(255,357)	(222,393)	32,964
Transfers from other funds	-	-	-	-
Other transfers	(7,035)	(6,495)	(2,824)	3,671
Sale of school property	-	-	-	-
Proceeds from capital lease	-	-	-	-
Payments on loans	(78,048)	(78,048)	(44,520)	33,528
TOTAL OTHER FINANCING SOURCES (USES)	(339,935)	(339,900)	(269,737)	70,163
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>\$(243,169)</u>	<u>\$ (228,815)</u>	<u>(224,347)</u>	<u>\$ 4,468</u>
FUND BALANCE - BEGINNING OF YEAR			920,842	
FUND BALANCE - END OF YEAR			<u>\$ 696,495</u>	

ADDITIONAL INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 21,458	\$ 21,458
Accounts receivable	27,458	27,458
Due from other governmental units	1,762	1,762
<u>TOTAL ASSETS</u>	<u>\$ 50,678</u>	<u>\$ 50,678</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Due to other funds	\$ 2,461	\$ 2,461
<u>TOTAL LIABILITIES</u>	<u>2,461</u>	<u>2,461</u>
FUND BALANCE:		
Reserved for debt retirement		-
Unreserved:		
Undesignated	48,217	48,217
<u>TOTAL FUND BALANCE</u>	<u>48,217</u>	<u>48,217</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 50,678</u>	<u>\$ 50,678</u>

CARSONVILLE-PORT SANILAC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2005</u>
REVENUES:		
Local sources	\$ 142,702	\$ 142,702
State sources	10,440	10,440
Federal sources	113,214	113,214
TOTAL REVENUES	<u>266,356</u>	<u>266,356</u>
EXPENDITURES:		
Food services activities	198,073	198,073
Athletic activities	179,038	179,038
Capital outlay		-
Debt service:		
Principal retirement		-
Interest		-
Other		-
TOTAL EXPENDITURES	<u>377,111</u>	<u>377,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(110,755)</u>	<u>(110,755)</u>
OTHER FINANCING SOURCES (USES):		
Transfers from other funds	117,037	117,037
Transfers to other funds	-	-
Other transfers	-	-
Payments on loans		-
TOTAL OTHER FINANCING SOURCES (USES)	<u>117,037</u>	<u>117,037</u>
NET CHANGE IN FUND BALANCE	6,282	6,282
FUND BALANCE - BEGINNING OF YEAR	<u>41,935</u>	<u>41,935</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 48,217</u></u>	<u><u>\$ 48,217</u></u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax		\$ 745,086	
Tuition & Fees		45,337	
Interest income		3,666	
Other		74,187	
		<u>74,187</u>	
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ 845,751</u>	<u>868,276</u>	<u>\$ 22,525</u>
REVENUE FROM STATE SOURCES:			
State aid		3,399,812	
Drivers education		3,783	
Other state grants		157,405	
		<u>157,405</u>	
TOTAL REVENUE FROM STATE SOURCES	<u>3,598,984</u>	<u>3,561,000</u>	<u>(37,984)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I		146,819	
IDEA		30,800	
Rural & Low Income		1,811	
Drug Free		3,123	
Other Federal Revenue		92,667	
		<u>92,667</u>	
TOTAL REVENUE FROM FEDERAL SOURCES	<u>274,777</u>	<u>275,220</u>	<u>443</u>
OTHER FINANCING USES:			
Proceeds from capital lease	-	-	-
Sale of fixed assets	-	-	-
Transfers from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 4,719,512</u>	<u>\$ 4,704,496</u>	<u>\$ (15,016)</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary:			
Professional Salaries		\$ 787,434	
Non-Professional Salaries		45,157	
Insurance Benefits		150,350	
FICA, Retirement, etc.		218,512	
Other Benefits		-	
Purchased Services		424	
Supplies		27,136	
Capital Outlay		-	
Miscellaneous		1,105	
		<u>1,105</u>	
Total Elementary	<u>\$ 1,235,473</u>	<u>1,230,118</u>	<u>\$ 5,355</u>
Secondary:			
Professional Salaries		747,836	
Non-Professional Salaries		14,243	
Insurance Benefits		180,228	
FICA, Retirement, etc.		174,239	
Other Benefits		-	
Purchased Services		1,911	
Supplies		34,761	
Capital Outlay		5,331	
Miscellaneous		10,534	
		<u>10,534</u>	
Total Secondary	<u>1,167,813</u>	<u>1,169,083</u>	<u>(1,270)</u>
Latch Key:			
Professional Salaries		-	
Non-Professional Salaries		24,559	
Insurance Benefits		-	
FICA, Retirement, etc.		4,995	
Other Benefits		-	
Purchased Services		-	
Supplies		1,339	
Capital Outlay		-	
Miscellaneous		80	
		<u>80</u>	
Total Latch Key	<u>31,046</u>	<u>30,973</u>	<u>73</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs:			
Special Education:			
Professional Salaries		\$ 121,698	
Non-Professional Salaries		27,680	
Insurance Benefits		58,202	
FICA, Retirement, etc.		38,596	
Other Benefits		-	
Purchased Services		75,119	
Supplies		2,854	
Capital Outlay		-	
Miscellaneous		2,013	
		<u> </u>	<u> </u>
Total Special Education	<u>\$ 315,111</u>	<u>326,162</u>	<u>\$ (11,051)</u>
Federal Programs:			
Professional Salaries		94,194	
Non-Professional Salaries		18,034	
Insurance Benefits		31,221	
FICA, Retirement, etc.		27,339	
Other Benefits		-	
Purchased Services		657	
Supplies		38,297	
Capital Outlay		-	
Miscellaneous		-	
		<u> </u>	<u> </u>
Total Federal Programs	<u>190,974</u>	<u>209,742</u>	<u>(18,768)</u>
Compensatory Education (At-Risk):			
Professional Salaries		87,316	
Non-Professional Salaries		-	
Insurance Benefits		18,629	
FICA, Retirement, etc.		16,557	
Other Benefits		-	
Purchased Services		-	
Supplies		-	
Capital Outlay		-	
Miscellaneous		-	
		<u> </u>	<u> </u>
Total Compensatory Education (At-Risk)	<u>126,590</u>	<u>122,502</u>	<u>4,088</u>
TOTAL INSTRUCTION:	<u>3,067,007</u>	<u>3,088,580</u>	<u>(21,573)</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries		\$41,209	
Non-Professional Salaries		10,516	
Insurance Benefits		15,863	
FICA, Retirement, etc.		11,955	
Other Benefits		-	
Purchased Services		2,642	
Supplies		940	
Capital Outlay		-	
Miscellaneous		-	
	<hr/>	<hr/>	<hr/>
Total Guidance Services	\$81,910	83,125	\$ (1,215)
Improvement of Instruction:			
Professional Salaries		3,592	
FICA, Retirement, etc.		809	
Purchased Services		12,068	
Supplies		3,837	
	<hr/>	<hr/>	<hr/>
Total Improvement of Instruction	28,316	20,306	8,010
Library:			
Professional Salaries		71,167	
Non-Professional Salaries		-	
Insurance Benefits		14,329	
FICA, Retirement, etc.		16,208	
Other Benefits		-	
Purchased Services		-	
Supplies		3,376	
Capital Outlay		-	
Miscellaneous		339	
	<hr/>	<hr/>	<hr/>
Total Library	109,751	105,419	4,332

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
General Administration:			
Professional Salaries		\$ -	
Non-Professional Salaries		77,170	
Insurance Benefits		3,247	
FICA, Retirement, etc.		8,677	
Other Benefits		-	
Purchased Services		22,819	
Supplies		567	
Capital Outlay		-	
Miscellaneous		2,108	
		<u> </u>	<u> </u>
Total General Administration	<u>\$ 115,996</u>	<u>114,588</u>	<u>\$ 1,408</u>
School Administration:			
Professional Salaries		167,245	
Non-Professional Salaries		45,869	
Insurance Benefits		55,913	
FICA, Retirement, etc.		51,495	
Other Benefits		-	
Purchased Services		4,793	
Supplies		3,202	
Capital Outlay		-	
Miscellaneous		860	
		<u> </u>	<u> </u>
Total School Administration	<u>323,829</u>	<u>329,377</u>	<u>(5,548)</u>
Board of Education			
Professional Salaries		3,787	
Non-Professional Salaries		-	
Insurance Benefits		-	
FICA, Retirement, etc.		29	
Other Benefits		-	
Purchased Services		10,705	
Supplies		-	
Capital Outlay		-	
Miscellaneous		2,113	
		<u> </u>	<u> </u>
Total Board of Education	<u>17,175</u>	<u>16,634</u>	<u>541</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Business - Fiscal Services:			
Professional Salaries		\$ 50,687	
Non-Professional Salaries		-	
Insurance Benefits		17,543	
FICA, Retirement, etc.		33,571	
Other Benefits		-	
Purchased Services		10,016	
Supplies		880	
Capital Outlay		-	
Miscellaneous		20,528	
		<hr/>	<hr/>
Total Business - Fiscal Services:	<u>\$ 133,656</u>	<u>133,225</u>	<u>\$ 431</u>
Operation of Plant:			
Professional Salaries		-	
Non-Professional Salaries		143,948	
Insurance Benefits		62,866	
FICA, Retirement, etc.		33,550	
Other Benefits		-	
Purchased Services		237,924	
Supplies		13,439	
Capital Outlay		965	
Miscellaneous		9,222	
		<hr/>	<hr/>
Total Operation of Plant	<u>508,068</u>	<u>501,914</u>	<u>6,154</u>
Pupil Transportation:			
Professional Salaries		-	
Non-Professional Salaries		102,286	
Insurance Benefits		15,868	
FICA, Retirement, etc.		24,389	
Other Benefits		-	
Purchased Services		70,967	
Supplies		35,564	
Capital Outlay		-	
Miscellaneous		2,354	
		<hr/>	<hr/>
Total Pupil Transportation	<u>196,776</u>	<u>251,428</u>	<u>(54,652)</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Technology:			
Purchased Services		\$ 16,123	
Supplies		1,186	
Capital Outlay		(2,799)	
Total Technology	\$ 25,945	14,510	\$ 11,435
TOTAL SUPPORTING SERVICES	1,541,420	1,570,526	(29,106)
TOTAL EXPENDITURES	4,608,427	4,659,106	(50,679)
OTHER FINANCING USES:			
Transfers to other funds	125,221	222,393	(97,172)
Other transfers	6,495	2,824	3,671
Payments on loans	208,184	44,520	163,664
TOTAL OTHER FINANCING USES	339,900	269,737	70,163
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,948,327</u>	<u>\$ 4,928,843</u>	<u>\$ 19,484</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>TOTAL 2005</u>
<u>ASSETS</u>			
Cash in bank	\$ 8,944	\$ 12,514	\$ 21,458
Accounts receivable	27,458		27,458
Due from other governmental units	<u>1,762</u>		<u>1,762</u>
TOTAL ASSETS	<u>\$ 38,164</u>	<u>\$ 12,514</u>	<u>\$ 50,678</u>
 <u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Due to other funds	<u>\$ 2,461</u>		<u>\$ 2,461</u>
TOTAL LIABILITIES	2,461	-	2,461
FUND BALANCE	<u>35,703</u>	<u>\$ 12,514</u>	<u>48,217</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 38,164</u>	<u>\$ 12,514</u>	<u>\$ 50,678</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 76,383		\$ 76,383	\$ 74,500	\$ 1,883
Admissions		\$ 26,187	26,187	16,400	9,787
Interest	170	56	226	320	(94)
Other	<u>1,301</u>	<u>38,605</u>	<u>39,906</u>	<u>9,900</u>	<u>30,006</u>
Total Local Sources	<u>77,854</u>	<u>64,848</u>	<u>142,702</u>	<u>101,120</u>	<u>41,582</u>
State Sources:					
State Lunch Aid	8,905		8,905	9,000	(95)
Other	<u>1,535</u>		<u>1,535</u>	<u>1,540</u>	<u>(5)</u>
Total State Sources	<u>10,440</u>	<u>-</u>	<u>10,440</u>	<u>10,540</u>	<u>(100)</u>
Federal Sources:					
National School Lunch Program	104,574		104,574	90,000	14,574
USDA Commodities	<u>8,640</u>		<u>8,640</u>	<u>-</u>	<u>8,640</u>
Total Federal Sources	<u>113,214</u>	<u>-</u>	<u>113,214</u>	<u>90,000</u>	<u>23,214</u>
TOTAL REVENUE	<u>201,508</u>	<u>64,848</u>	<u>266,356</u>	<u>201,660</u>	<u>64,696</u>
EXPENDITURES:					
School Service Activities:					
Professional salaries	66,241		66,241	63,700	(2,541)
Employee benefits	44,021		44,021	44,300	279
Food & milk	85,671		85,671	78,000	(7,671)
Athletics activities		179,038	179,038	156,031	(23,007)
Miscellaneous	<u>2,140</u>		<u>2,140</u>	<u>3,920</u>	<u>1,780</u>
TOTAL EXPENDITURES	<u>198,073</u>	<u>179,038</u>	<u>377,111</u>	<u>345,951</u>	<u>(31,160)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,435</u>	<u>(114,190)</u>	<u>(110,755)</u>	<u>(144,291)</u>	<u>33,536</u>
OTHER FINANCING SOURCES:					
Transfers from General Fund		117,037	117,037	123,686	(6,649)
Transfer to General Fund			-		-
Other transfers			-		-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>117,037</u>	<u>117,037</u>	<u>\$ 123,686</u>	<u>(6,649)</u>
NET CHANGE IN FUND BALANCE	<u>3,435</u>	<u>2,847</u>	<u>6,282</u>	<u>\$ (20,605)</u>	<u>\$ 26,887</u>
FUND BALANCE - JULY 1	<u>32,268</u>	<u>9,667</u>	<u>41,935</u>		
FUND BALANCE - JUNE 30	<u>\$ 35,703</u>	<u>\$ 12,514</u>	<u>\$ 48,217</u>		

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>DURANT DEBT SERVICE</u>	<u>1990 DEBT SERVICE</u>
<u>ASSETS</u>		
Cash and equivalents		\$ 17,236
Due from other funds		<u>37</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 17,273</u></u>
 <u>LIABILITIES & FUND BALANCE</u>		
Due to other funds		
Reserved for debt service	<u>-</u>	<u>\$ 17,273</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 17,273</u></u>

<u>2005 REFUNDING</u>	<u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u>	<u>SCHOOL BUS (QZAB)</u>	<u>TOTALS</u> <u>2005</u>
\$ 213,725 175	\$ 155,541	\$ 103,993	\$ 490,495 212
<u><u>\$ 213,900</u></u>	<u><u>\$ 155,541</u></u>	<u><u>\$ 103,993</u></u>	<u><u>\$ 490,707</u></u>
\$ 213,900	\$ 155,541	\$ 103,993	\$ - 490,707
<u><u>\$ 213,900</u></u>	<u><u>\$ 155,541</u></u>	<u><u>\$ 103,993</u></u>	<u><u>\$ 490,707</u></u>

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005

	<u>DURANT DEBT SERVICE</u>	<u>1990 DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:		
Local Sources:		
Current tax levy		\$ 150,310
Premium		
Interest on investments		191
Total Local Sources	-	150,501
State Sources:		
State school aid		
TOTAL REVENUES	-	150,501
EXPENDITURES:		
Retirement of bonds		120,000
Interest on bonded debt		28,925
Bond fees and charges		675
TOTAL EXPENDITURES	-	149,600
OTHER FINANCING SOURCES (USES):		
Proceeds from bond refunding		
Premium received on bond sale		
Payment to bond escrow agent		
Bond issuance cost		
Bond interest		
Transfer from other funds		2,201
Transfer to other funds		
TOTAL OTHER FINANCING SOURCES (USES):	-	2,201
NET CHANGE IN FUND BALANCE	-	3,102
PRIOR PERIOD ADJUSTMENT-BEGINNING FUND BALANCE		
FUND BALANCE - JULY 1	-	14,171
FUND BALANCE - JUNE 30	\$ -	\$ 17,273

<u>2005 REFUNDING</u>	<u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u>	<u>SCHOOL BUS (QZAB)</u>	<u>TOTALS 2005</u>
\$ 588,679			\$ 738,989
1,208	\$ 3,539	\$ 1,201	-
589,887	3,539	1,201	6,139
			745,128
			-
589,887	3,539	1,201	745,128
220,000			340,000
394,250			423,175
295			970
614,545	-	-	764,145
6,400,000			6,400,000
28,187			28,187
(5,995,000)			(5,995,000)
(92,659)			(92,659)
(340,528)			(340,528)
	37,308	68,048	107,557
(2,201)			(2,201)
(2,201)	37,308	68,048	105,356
(26,859)	40,847	69,249	86,339
			-
240,759	114,694	34,744	404,368
\$ 213,900	\$ 155,541	\$ 103,993	\$ 490,707

CARSONVILLE-PORT SANILAC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2005
Academic awards	\$ 1,286	\$ 429	\$ 794	\$ 921
Academic Memorial Fund	434	1,000	-	1,434
Art Club	49	170	52	167
Athletics	-	-	-	-
Band	-	5,198	4,535	663
Book Fund	240	-	59	181
Careers	331	-	-	331
Central office - miscellaneous	23	559	199	383
Class of 2003	40	-	40	-
Class of 2004	6	-	6	-
Class of 2005	722	1,967	2,272	417
Class of 2006	1,042	1,204	1,898	348
Class of 2007	177	376	227	326
Class of 2008	-	252	68	184
Community enrichment	30	-	-	30
District Pride	68	-	-	68
Drivers education	106	-	-	106
Economics Club	8	-	-	8
Elementary Academic Boosters	1,657	23,774	22,557	2,874
Elementary Art	59	-	-	59
Elementary RIF Program	2,552	2,357	3,079	1,830
Elementary store	32	-	-	32
Elementary Student Assistance	-	125	-	125
Elementary Student Council	67	-	-	67
French Club	20	-	-	20
Gold Cards	-	240	240	-
High School Academic	-	2,387	1,651	736
High School Student Assistance	-	448	140	308
High School Student Council	6,704	7,298	7,436	6,566
Honor society	31	494	389	136
Honor Society Field Trip	138	4,709	4,528	319
Interest earned	529	111	204	436
Lock replacement	201	-	-	201
Middle School Student Council	463	3,516	3,723	256
Middle School Technology	250	-	-	250
Miscellaneous	-	3,886	3,711	175
Mitchell Memorial	89	-	-	89
Natural Helpers	161	-	-	161
Office machines	7	-	-	7
Science Department	222	-	-	222
Special Activities	349	-	-	349
Theater 13	1,161	5,686	5,669	1,178
Toys for Tots	32	-	-	32
Travel Club	11	-	11	-
Video Arts	85	-	-	85
Yearbook	2,092	3,570	1,457	4,205
TOTAL AGENCY FUND	\$ 21,474	\$ 69,756	\$ 64,945	\$ 26,285

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)
June 30, 2005

PRINCIPAL DUE MAY 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 485,000	2014	\$ 485,000
<u>\$ 485,000</u>		<u>\$ 485,000</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
SCHOOL BUS (QZAB)
June 30, 2005

PRINCIPAL DUE OCTOBER 17	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	JUNE 30	AMOUNT
\$ 51,036	2007	\$ 51,036
51,036	2008	51,036
<u>\$ 102,072</u>		<u>\$ 102,072</u>

As of June 30, 2005, the District had set aside the full amount to cover this obligation.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
1998 DEBT RETIREMENT FUND
June 30, 2005

PRINCIPAL DUE MAY 1	INTEREST DUE	INTEREST DUE	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
10,000	749	749	2006	11,498
10,000	539	539	2007	11,078
15,000	326	326	2008	15,652
\$ 35,000	\$ 1,614	\$ 1,614		\$ 38,228

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
1990 DEBT RETIREMENT FUND
June 30, 2005

<u>PRINCIPAL DUE MAY 1</u>	<u>INTEREST DUE</u>	<u>INTEREST DUE</u>	<u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u>	
	<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
125,000	10,113	10,113	2006	145,226
150,000	5,550	5,550	2007	161,100
<u>\$ 275,000</u>	<u>\$ 15,663</u>	<u>\$ 15,663</u>		<u>\$ 306,326</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2005

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 2,255	\$ 1,016	2006	\$ 3,271
2,362	909	2007	3,271
10,888	4,549	2008	15,437
2,592	679	2009	3,271
2,716	555	2010	3,271
2,845	426	2011	3,271
2,980	291	2012	3,271
3,122	149	2013	3,271
\$ 29,760	\$ 8,574		\$ 38,334

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2000 DEBT RETIREMENT FUND
June 30, 2005

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
235,000	382,700	2006	617,700
235,000	370,363	2007	605,363
245,000	358,025	2008	603,025
255,000	345,163	2009	600,163
265,000	331,775	2010	596,775
<u>\$ 1,235,000</u>	<u>\$ 1,788,026</u>		<u>3,023,026</u>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
REFUNDING BONDS, SERIES 2005
June 30, 2005

PRINCIPAL DUE MAY 1	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
30,000	135,904	133,639	2006	299,543
30,000	135,454	135,454	2007	300,908
35,000	134,929	134,929	2008	304,858
35,000	134,317	134,317	2009	303,634
35,000	133,704	133,704	2010	302,408
310,000	133,092	133,092	2011	576,184
320,000	127,279	127,279	2012	574,558
325,000	121,079	121,079	2013	567,158
335,000	114,579	114,579	2014	564,158
345,000	107,879	107,879	2015	560,758
360,000	100,764	100,764	2016	561,528
370,000	93,114	93,114	2017	556,228
385,000	85,714	85,714	2018	556,428
395,000	77,773	77,773	2019	550,546
405,000	69,133	69,133	2020	543,266
420,000	60,020	60,020	2021	540,040
430,000	50,570	50,570	2022	531,140
440,000	41,433	41,433	2023	522,866
450,000	31,808	31,808	2024	513,616
465,000	21,964	21,964	2025	508,928
480,000	10,920	10,920	2026	501,840
<u>\$ 6,400,000</u>	<u>\$ 1,921,429</u>	<u>\$ 1,919,164</u>		<u>10,240,593</u>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 20, 2005

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Carsonville-Port Sanilac Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Carsonville-Port Sanilac Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Education
Carsonville-Port Sanilac Schools
October 20, 2005

This report is intended for the information of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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October 20, 2005

To the Board of Education
Carsonville-Port Sanilac School District
Carsonville, Michigan 48419

In planning and performing our audit of the financial statements of Carsonville-Port Sanilac School District for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated October 20, 2005, on the financial statements of Carsonville-Port Sanilac School District.

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the district segregate duties whenever possible.

FDIC Insurance Limits

While conducting the audit of cash we noted the school district had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the district in the event of bank or institutional failure. We suggest that management closely monitor cash balances and transfer excess balances to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

Timekeeping Requirements

Time spent working on federally funded grant programs must be documented for co-funded 100% staff in compliance with OMB Circular A-87, Attachment B. Acceptable methods for co-funded staff include written schedules if it is documented that they were followed on a regular basis (e.g. teachers and paraprofessionals) or periodic representative samples (e.g., teachers and paraprofessionals) or periodic representative sample logs for staff whose time is variable (e.g. directors, secretaries, counselors). OMB Circular A-87 requires that when employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. We recommend the district complying with the semi-annual certification requirement.

Federal Funds

We noted that federal funds were not requested periodically during the year. We recommend the district assign the federal fund accounting to a federal funds coordinator. This person needs to be responsible for the overall program administration, including monitoring expenses charged to the federal program and requesting funds on a regular basis. This would also help with the District's cash flow.

Increase Fidelity insurance coverage

We recommend that the District review their fidelity insurance and consider increasing the insurance coverage. With the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered.

Budgeting

Currently a formal budget is prepared and approved by the board for general fund. To be in compliance with Public Act 621, this same type of a formal budget should be prepared and approved prior to the beginning of the fiscal year for Food Service and Athletics Funds. These budgets need to include prior year actual, current year to date, current budget and a projected fund balance for the year. Formal budgets are not required, but recommended for Debt Service Funds.

Further, P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the district incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated. The district needs to monitor the budgetary variances and make necessary amendments to avoid being in violation of Public Act 621.

Gate Receipts

We recommend using tear off tickets or some other method to reconcile the gate receipts for events to the number of paid admissions. At the end of the event the number of tickets sold should be reconciled to the amount of cash collected. This would create an accountability feature for those collecting cash at paid school events.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various schools district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Carsonville-Port Sanilac School District, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**